

Message Text

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ACTION EB-07

INFO OCT-01 IO-10 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00

NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04 TAR-01

TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01 AF-06

ARA-06 EA-07 EUR-12 NEA-10 XMB-02 /133 W

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P R 311706Z OCT 75

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 6581

INFO AMEMBASSY CANBERRA

AMEMBASSY BRAZILIA

AMEMBASSY HONG KONG

AMEMBASSY ISLAMABAD

AMEMBASSY NEW DELHI

AMEMBASSY SEOUL

AMEMBASSY SINGAPORE

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: GATT, ETRD

SUBJ: EC PROGRESS IN TEXTILE NEGOTIATIONS

REF: (A) GENEVA 7725; (B) GENEVA 4321

1. US TSB REP WAS INFORMED OCT. 30 BY PAK MISSION
COUNSELOR SALEEM AND INDIAN AMBASSADOR CHADHA RESPECTIVELY
THAT PAKISTAN AND INDIA HAD THIS WEEK EXCHANGED NOTES WITH
EC FORMALIZING SELECTIVE BILATERAL TEXTILE AGREE-
MENTS. EC'S ACTING REP KLARIC, IN CONFIRMING FOREGOING TO
US REP, SAID THAT THERE WERE SOME "HINDRANCES" YET TO BE
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OVERCOME BEFORE NOTES COULD BE EXCHANGED WITH HONG KONG

BUT ADDED THAT HE EXPECTED THESE DIFFICULTIES TO BE RESOLVED SHORTLY. EC HAS ALREADY NOTIFIED TSB OF UNILATERAL RESTRAINT REGIME ESTABLISHED FOR IMPORTS TAIWAN TEXTILES (PARA 6 REF A).

2. KLARIC ALSO TOLD US REP THAT EC EXPECTED EXCHANGE NOTES SHORTLY WITH MALAYSIA, SINGAPORE AND MACAU AND THAT EC WOULD, PROBABLY "WITHIN NEXT TEN DAYS," FORMALLY NOTIFY THE FIVE AGREEMENTS TO THE TSB. ACCORDING KLARIC, EC WAS CONTINUING NEGOTIATIONS WITH KOREA, BRAZIL, COLOMBIA AND ROMANIA WITH THE HOPE (AND "REASONABLE" EXPECTATION) THAT AGREEMENTS WITH THESE COUNTRIES COULD BE REACHED BEFORE RPT BEFORE TC SESSION NOW SCHEDULED CONVEY DEC. 2. EC AUTHORITIES ARE ACUTELY AWARE OF NEED TO SHOW PERFORMANCE UNDER MFA ART. 2 BEFORE TC MEETING AND OF CONSEQUENCES OF FAILURE TO DO SO.

3. BY ADMITTEDLY ROUGH CALCULATION FROM AVAILABLE DATA, US REP CONCLUDES THAT IF EC'S NEGOTIATING EXPECTATIONS ARE REALIZED BY TIME OF TC MEETING, EC COULD BE IN POSITION SHOW THAT OVER 80 0/0 TEXTILE RESTRICTIONS WERE IN CONFORMITY WITH MFA AND BALANCE EITHER IN PROGRAM "PHASED ELIMINATION" OR UNDER ACTIVE NEGOTIATION. WITH EXCEPTIONS ROMANIA AND JUGOSLAVIA, CONSENSUS HERE IS THAT EC LIKELY TRY CONTINUE MAINTAIN TEXTILE RESTRICTIONS ON EASTERN BLOC COUNTRIES UNDER PROVISIONS PROTOCOLS OF ACCESSION; WHICH EFFORT CERTAIN BE OPPOSED BY BLOC PARTICIPANTS MFA.

4. ANENT SMITH-PHELAN TELECON OCT. 30 AND SUBJECT EC-BRAZIL NEGOTIATIONS: FIGURE GIVEN BY PHELAN RE FRG IMPORTS BRAZILIAN COTTON FABRICS (LEVEL EC ART. 3 ACTION ON THOSE FABRICS) WAS RESULT FAULTY MEMORY AND WAS GROSSLY IN ERROR ON HIGH SIDE. AFTER CHECKING NOTES AND FILES AND CONTACTING BRAZILIAN TSB REP TODAY, FIGURE GIVEN PARA 4 REF B (100,000,000 SYDS) AS ESTIMATE IS CLOSER TO ACTUAL SITUATION. BRAZIL REP IS OF OPINION THAT IMPORT LICENSES ISSUED BY FRG IN 1975 BEFORE CUT-OFF DATE (MAY 1, 1975) MAY EXCEED THE 100 MILLION SYD ESTIMATE BUT NOT BY MUCH. EC REP TOLD PHELAN TODAY LIMITED OFFICIAL USE

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THAT FIRST NEGOTIATING SESSION WITH BRAZIL LAST WEEK WAS INCONCLUSIVE AND THAT NEGOTIATION WOULD UNDOUBTEDLY BE DIFFICULT.

5. MEYNELL, EC'S TEXTILE NEGOTIATOR, IS PRESENTLY HOLDING IN DISCUSSIONS IN TOKYO AND SEOUL AND, ACCORDING LOCAL EC REP, WILL MAKE MAJOR EFFORT CONCLUDE LONG-RUNNING NEGOTIATION WITH KOREANS BEFORE DECEMBER TC MEETING. US

REP, FROM CONVERSATIONS WITH MIZOGUCHI (JAPAN TSB REP), GATHERS THAT EC AND JAPAN STILL DISCUSSING "FORM" OF POSSIBLE TEXTILE UNDERSTANDING. AM INFORMED JAPANESE DO NOT WANT ANY FORMAL AGREEMENT WHICH WOULD REQUIRE DIET APPROVAL. THEY WOULD PREFER REPLACEMENT OF EC RESTRICTIONS BY SOME SORT OF CONSULTATIVE MECHANISM BUT PROBABLY WOULD ACCEPT AN EC PROGRAM OF "PHASED ELIMINATION" OF EXISTING RESTRAINTS EVEN THOUGH MFA SANCTION SUCH PROGRAM WOULD APPEAR TO HAVE EXPIRED MARCH 31, 1975.

6. IN SUMMARY, FROM ALL INFO AVAILABLE GENEVA, EC IS NOW MAKING LATE BUT LARGE EFFORT GET THEIR MFA HOUSE IN ORDER BEFORE THE TC'S "INSPECTION" IN DECEMBER. IF THEY ARE ABLE TO REACH MUTUALLY SATISFACTORY AGREEMENTS WITH KOREA AND BRAZIL IN NOVEMBER (OR EVEN TO HAVE PROGRESSED IN THOSE NEGOTIATIONS FAR ENOUGH TO FORESTALL A KOREAN OR BRAZILIAN COMPLAINT) IT IS PROBABLE THAT MAJORITY OF TC WILL BE SATISFIED WITH EC PERFORMANCE AND PREPARED FORGIVE AND FORGET THAT PERFORMANCE WAS VERY LATE IN STARTING. THIS, OF COURSE, DOES NOT EXCLUDE COMPLAINTS OF EC NON-PERFORMANCE FROM CERTAIN EASTERN BLOC COUNTRIES NOR COMPLAINTS ON TIMING OR MANNER OF REMOVAL OF RESIDUAL EC RESTRICTIONS ON COUNTRIES WITH WHICH EC HAS CONCLUDED BILATERAL SELECTIVE AGREEMENTS. CONSENSUS HERE IS THAT EC IS NOW AWARE (AFTER POST-AGREEMENT DISPUTE WITH INDIA, PAKISTAN AND HONG KONG) OF EXTREME SENSITIVITY THIS ISSUE WITH THEIR BILATERAL AGREEMENT PARTNERS AND THAT THEY WILL TAKE APPROPRIATE STEPS TO DESENSITIZE.ABRAMS

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